

**Franchise Tax Board****ANALYSIS OF ORIGINAL BILL**

Author: Anderson Analyst: Deborah Barrett Bill Number: AB 1506  
Related Bills: See Legislative History Telephone: 845-4301 Introduced Date: February 27, 2009  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** State Agencies Accept Registered Warrants For Payment Of Any State Obligation

**SUMMARY**

This bill would require a state agency to accept a registered warrant for payment of any state obligation.

**PURPOSE OF THE BILL**

It appears that the purpose of this bill is to remove cash liquidity problems of an individual that owes an obligation to the state while holding a state IOU.

**EFFECTIVE/OPERATIVE DATE**

As an urgency statute, this bill would be effective immediately upon enactment and would be operative on or after that date.

**POSITION**

Pending.

**ANALYSIS****STATE LAW**

Generally, under state law, the Controller is responsible for issuing warrants drawn from the General Fund for payment of obligations of the state. In instances where the amount payable out of the General Fund is in excess of the balance remaining in the General Fund after deducting amounts earmarked or reserved for payment by law, the Controller can issue a "registered warrant".

A registered warrant is a warrant that carries a promise to pay the bearer the amount shown on the warrant plus interest, by a date prescribed on the warrant, usually within one year of the date of issuance. Interest accumulates at the rate determined by the Pooled Money Investment Account.

Board Position:

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Department Director

Date

Selvi Stanislaus

04/15/09

Under state law, if a taxpayer has a tax liability and is a payee named in a registered warrant, the taxpayer may pay any tax liability specified above, in whole or in part, by a check in an amount not to exceed the amount of the registered warrant. State law provides that the check may not be presented for payment by the state or paid by the bank until the registered warrant is payable upon its presentation to the Treasurer. These provisions apply only if the check is presented with a copy of the registered warrant,

### **THIS BILL**

This bill would require a state agency to accept from any person, a registered warrant endorsed by that person, at full face value, for payment of any obligation owed by that person to that state agency.

This bill is an urgency statute necessary for the immediate preservation of the public peace, health, or safety and would go into effect immediately. The bill states, "In order to allow the state's residents to pay for all obligations owed to the state, while the state is issuing registered warrants, which is, in fact an "IOU" issued by the state, it is necessary that this act take effect immediately."

### **IMPLEMENTATION CONSIDERATIONS**

Because provisions already exist regarding the application of registered warrants to tax liabilities<sup>1</sup>, implementing this bill's provisions would not significantly impact department programs or operations.

### **OTHER STATES' INFORMATION**

A comparison with other states would not be meaningful as this bill pertains to administrative procedures that are specific to California.

### **FISCAL IMPACT**

Because the number of registered warrants issued that would be submitted for payment of tax is expected to be few, the department estimates costs to implement the provisions of this bill would be absorbable.

### **ECONOMIC IMPACT**

There would be no impact on personal income or corporation tax revenues. Because payment of tax using a registered warrant would require the warrant to be held until the warrant redemption date, there could be a deceleration of cash receipts.

### **LEGISLATIVE STAFF CONTACT**

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<sup>1</sup> Government Code section 17280.1